

WASHINGTON, DC -- Congresswoman Linda Sánchez, Chairwoman of the House Judiciary Subcommittee on Commercial and Administrative Law (CAL), issued the following opening statement today at the CAL Subcommittee legislative hearing on H.R. 5312, the Automobile Arbitration Fairness Act of 2008. Congresswoman Sánchez is the author of the bill.

“During the last session, this Subcommittee held two hearings focusing on arbitration. Our first hearing in June provided this Subcommittee with a basic knowledge of the history of arbitration and its benefits and problems. We revisited arbitration during a hearing in October at which we reviewed H.R. 3010, “the Arbitration Fairness Act of 2007,” authored by Congressman Hank Johnson. During those hearings we learned that an increasing number of businesses and employers have begun to utilize arbitration to the detriment of others, especially consumers.

“Today, we hold this legislative hearing on H.R. 5312, the “Automobile Arbitration Fairness Act of 2008” to respond to a significant problem with arbitration, the take-it-or-leave-it approach of pre-dispute binding mandatory arbitration clauses. This legislation targets certain arbitration clauses solely related to motor vehicle purchase or lease contracts. It would grant to automotive consumers what Congress extended to motor vehicle dealers in 2002: protection from mandatory binding arbitration clauses.

“Since then, automobile manufacturers have been prohibited from requiring automobile dealers to accept pre-dispute, mandatory binding arbitration clauses in their franchise contracts. It seems only fair that consumers receive the same protections afforded to automobile dealers.

“H.R. 5312 would give consumers the choice to settle a dispute related to their purchase or lease of a motor vehicle through arbitration or in court. As a result of this simple change, consumers would be able to consider the advantages and disadvantages of choosing to arbitrate with the specifics of their own case in mind. And they could negotiate with the dealer or financier the terms of the arbitration agreement should they decide to arbitrate. Most importantly, arbitration could still be an avenue to resolve a dispute, but one to which all the parties would agree to voluntarily, fairly, and with full knowledge of the potential costs and benefits.

“Today we gather to hear testimony from several individuals with knowledge of the arbitration process in consumer automobile contracts. I want to emphasize that today’s testimony is very important for our understanding of the legislation. Accordingly, I look forward to hearing today’s testimony and welcome a thorough discussion of the issues and legislation.”